

September Quarter 2019 Results



Disclaimer

This presentation contains certain financial measures that are not recognized under generally accepted accounting principles in the United States (“GAAP”), including adjusted EBITDA (including adjusted EBITDA margin), adjusted EBITA (including adjusted EBITA margin), marketplace-based core commerce adjusted EBITA, non-GAAP net income, non-GAAP diluted earnings per share/ADS and free cash flow. For a reconciliation of these non-GAAP financial measures to the most directly comparable GAAP measures, see GAAP to Adjusted/Non-GAAP Measures Reconciliation.

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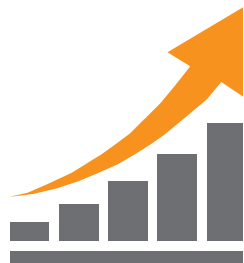


Financial Results

September Quarter 2019 Financial Highlights



Revenue



40% YoY
Total Revenue Growth

40% YoY
Core Commerce
Revenue Growth

Cloud



64% YoY
Cloud Computing
Revenue Growth

Consumers



785 MM
Mobile MAUs ⁽¹⁾

693 MM
Annual Active Consumers ⁽²⁾

Profitability and Cash Flow



RMB32.1 Bn
(US\$4.5 Bn⁽³⁾)
Adjusted EBITA

RMB30.5 Bn
(US\$4.3 Bn⁽³⁾)
Non-GAAP Free Cash Flow

Notes: Unless otherwise indicated, all figures above are for the three months ended September 30, 2019.

(1) For the month ended September 30, 2019; in a given month, the number of unique mobile devices that were used to visit or access certain of our mobile applications at least once during that month.

(2) For the 12-month period ended September 30, 2019; the number of annual active consumers on our China retail marketplaces.

(3) All translations of RMB into US\$ in this presentation were made at RMB7.1477 to US\$1.00, the exchange rate on September 30, 2019 as set forth in the H.10 statistical release of the Federal Reserve Board.

September Quarter Revenue

- **Total Revenue** YoY growth of 40% was mainly driven by the robust revenue growth of our China commerce retail business and Alibaba Cloud.
- Excluding the effects of consolidating acquired businesses, total revenue would have increased by 37% YoY.

Total Revenue Breakdown

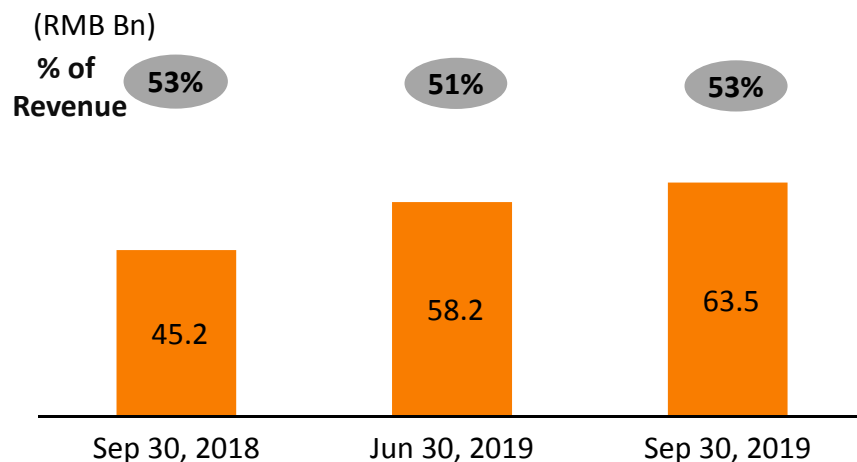
	<u>Three months ended September 30, 2019</u>			
	<u>RMB MM</u>	<u>% of Revenue</u>	<u>YoY %</u>	
Core commerce:				
China commerce retail				
- Customer management	41,301	35%	25%	} 25% YoY
- Commission	16,275	14%	24%	
- Others	18,210	15%	125%	
	<u>75,786</u>	<u>64%</u>	<u>40%⁽¹⁾</u>	
China commerce wholesale	3,283	3%	31%	
International commerce retail	6,007	5%	35%	
International commerce wholesale	2,434	2%	20%	
Cainiao logistics services	4,759	4%	48%	
Local consumer services	6,835	6%	36%	
Others	2,116	1%	90%	
Total core commerce	<u>101,220</u>	<u>85%</u>	<u>40%</u>	
Cloud computing	9,291	8%	64%	
Digital media and entertainment	7,296	6%	23%	
Innovation initiatives and others	1,210	1%	14%	
Total	<u>119,017</u>	<u>100%</u>	<u>40%</u>	

Note:

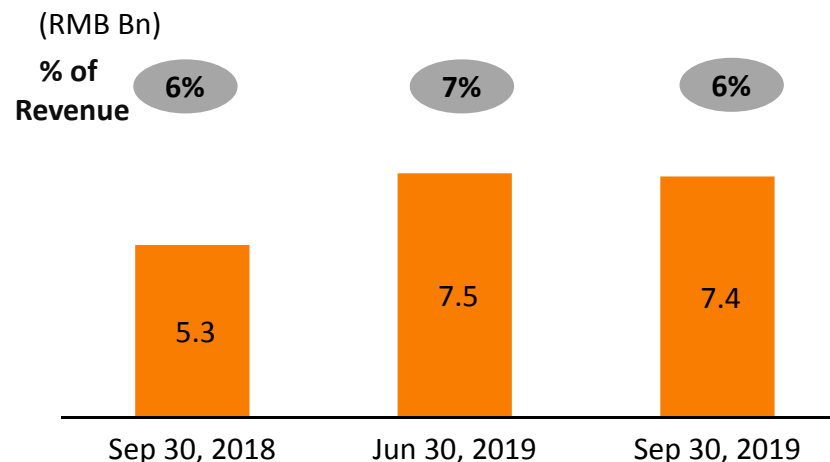
(1) Kaola was consolidated in September 2019.

September Quarter Cost Trends

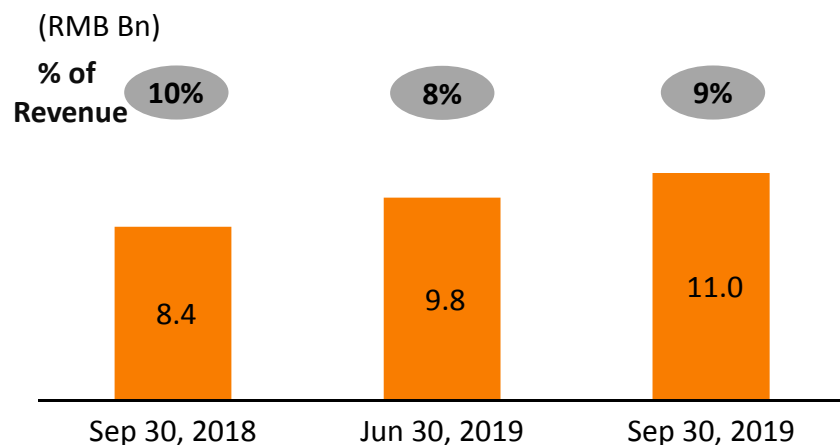
Cost of Revenue (Excluding SBC)



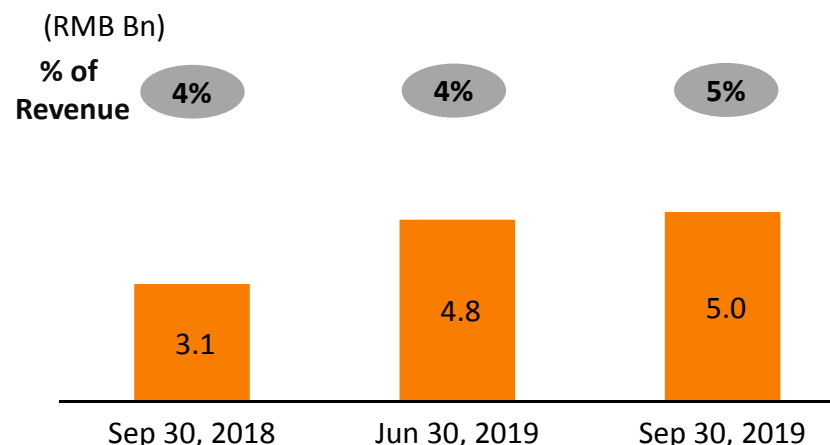
Product Development Expenses (Excluding SBC)



Sales & Marketing Expenses (Excluding SBC)



























General & Administrative Expenses (Excluding SBC)



Note: For the three months ended on the respective dates.

September Quarter Segment Reporting ⁽¹⁾

	Core Commerce <i>China Commerce Retail</i>  淘宝网 天猫 TMALL.COM  聚划算 农村淘宝 天猫超市  阿里妈妈 Tmall Global KACLA  FRESHIPPO 银泰商业 <i>China Commerce Wholesale</i>  阿里巴巴 1688.com <i>International Commerce Retail</i>  AliExpress 全球速卖通 <i>International Commerce Wholesale</i>  Alibaba.com <i>Cainiao Logistics Services</i>  菜鸟 <i>Local Consumer Services</i>  饿了么 口碑	Cloud Computing  Alibaba Cloud	Digital Media & Entertainment  UC UC News  YOUKU 优酷  Tudou  阿里体育  阿里音乐  TMallTV  阿里游戏  大麦  阿里巴巴影业集团  Alibaba Pictures	Innovation Initiatives & Others  高德地图 amap.com  AliOS  钉钉  天猫精灵	Un-allocated⁽²⁾	Consolidated
Sep Q 19 Revenue (MM)	RMB 101,220 US\$ 14,161 40% YoY	RMB 9,291 US\$ 1,300 64% YoY	RMB 7,296 US\$ 1,021 23% YoY	RMB 1,210 US\$ 169 14% YoY	-	RMB 119,017 US\$ 16,651 40% YoY
Sep Q 19 Adjusted EBITA (MM)	RMB 38,574 US\$ 5,397	RMB (521) US\$ (73)	RMB (2,207) US\$ (309)	RMB (1,917) US\$ (268)	RMB (1,838) US\$ (257)	RMB 32,091 US\$ 4,490
Sep Q 19 Adjusted EBITA Margin (%)	38%	(6%)	(30%)	(158%)	-	27%

Notes:

(1) Segmental information is presented after elimination of inter-company transactions.

(2) Unallocated expenses are primarily related to corporate administrative costs and other miscellaneous items that are not allocated to individual segments.

September Quarter Adjusted EBITA by Segment



- **Marketplace-based Core Commerce Adjusted EBITA** increased 28% YoY to RMB45,610 million (US\$6,381 million). Strong marketplace-based core commerce profits allow us to invest in areas that add value to our customers and contribute to long-term growth for the company.
- **Core Commerce Adjusted EBITA** increased 29% YoY to RMB38,574 million (US\$5,397 million). Core Commerce Adjusted EBITA margin was 38%.
- **Cloud Computing** revenue increased 64% YoY to RMB9,291 million (US\$1,300 million), primarily driven by an increase in average revenue per customer. Adjusted EBITA was a loss of RMB521 million (US\$73 million).
- **Digital Media and Entertainment** revenue increased 23% YoY to RMB7,296 million (US\$1,021 million), primarily due to our consolidation of Alibaba Pictures starting in March 2019. Adjusted EBITA was a loss of RMB2,207 million (US\$309 million).
- **Innovation Initiatives and Others** revenue increased 14% YoY to RMB1,210 million (US\$169 million), mainly due to an increase in revenue from Amap. Adjusted EBITA was a loss of RMB1,917 million (US\$268 million). The increase in adjusted EBITA loss was primarily due to our investments in research and innovation, as well as investments in other business initiatives.

September Quarter 2018

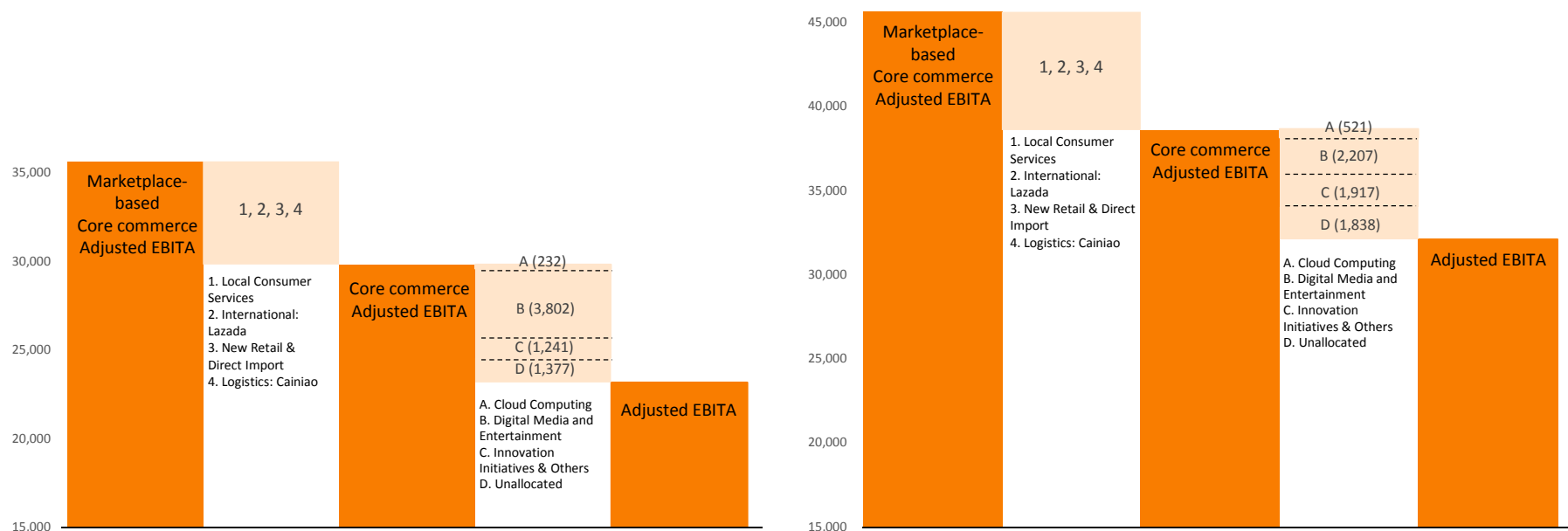
(RMB MM)

September Quarter 2019

(RMB MM)

35,642 (5,835) 29,807 (6,652) 23,155
Combined Loss Combined Loss

45,610 (7,036) 38,574 (6,483) 32,091
28% YoY Combined Loss 29% YoY Combined Loss 39% YoY

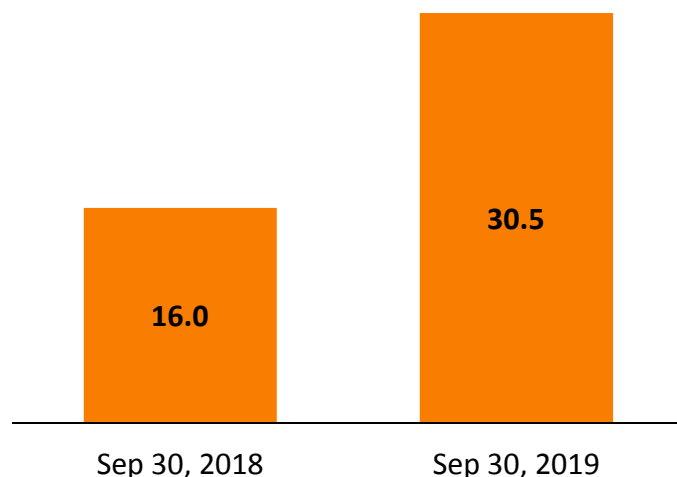


Free Cash Flow & Capital Expenditures

- As of September 30, 2019, **cash, cash equivalents and short-term investments** were RMB235,251 million (US\$32,913 million), compared to RMB212,189 million as of June 30, 2019. The increase in cash, cash equivalents and short-term investments during the quarter ended September 30, 2019 was primarily due to free cash flow generated from operations of RMB30,488 million (US\$4,265 million), partly offset by net cash used in investment and acquisition activities of RMB9,925 million (US\$1,389 million).
- Net cash provided by operating activities** in the quarter ended September 30, 2019 was RMB47,326 million (US\$6,621 million), an increase of 51% compared to RMB31,407 million in the same quarter of 2018. **Free cash flow**, a non-GAAP measurement of liquidity, in the quarter ended September 30, 2019 increased by 90% to RMB30,488 million (US\$4,265 million), from RMB16,033 million in the same quarter of 2018.

Non-GAAP Free Cash Flow ⁽¹⁾

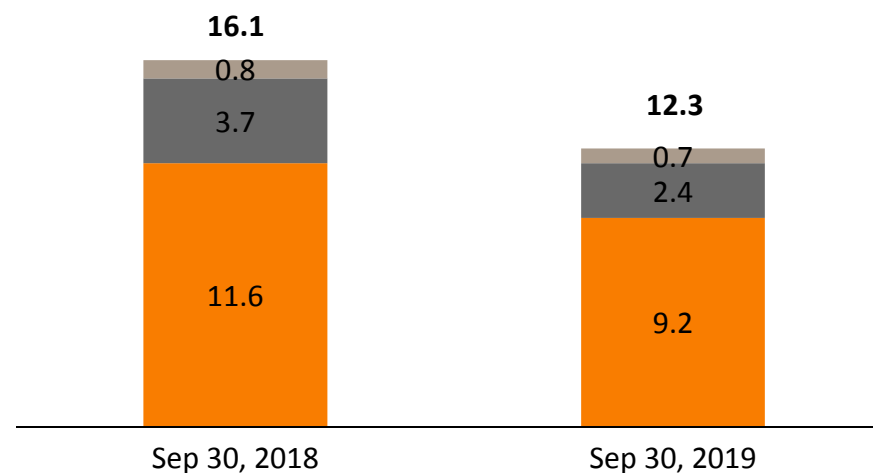
(RMB Bn)



Capital Expenditures, Licensed Copyrights and Other Intangible Assets

(RMB Bn)

- Land Use Rights and Construction in Progress Relating to Office Campus
- Licensed Copyrights and Other Intangible Assets
- Operating Capex ⁽²⁾



Notes:

- Non-GAAP free cash flow represents net cash provided by operating activities as presented in our consolidated cash flow statement less purchases of property and equipment (excluding acquisition of land use rights and construction in progress relating to office campus), licensed copyrights and other intangible assets, as well as adjustments to exclude from net cash provided by operating activities the consumer protection fund deposits from merchants on our China retail marketplaces.
- Operating CAPEX refers to the purchases of property and equipment (excluding land use rights and construction in progress relating to office campus).

GAAP to Non-GAAP Net Income

	Three months ended		YoY %
	Sep 30, 2018	Sep 30, 2019	
	(RMB MM)	(RMB MM)	
Net income	18,241	70,748	288%
Less: Gain in relation to the receipt of the 33% equity interest in Ant Financial	--	(69,225) ⁽¹⁾	N/A
Add: Impairment of investments and goodwill	358	19,855 ⁽²⁾	5,446%
Less: Gain (loss) on deemed disposals/disposals/revaluation of investments and others	(5,297)	291	N/A
Others	10,151	11,081 ⁽³⁾	9%
Non-GAAP net income	23,453	32,750	40%

- (1) On September 23, 2019, we became a 33% equity stakeholder in Ant Financial. We recognized a one-time gain of RMB69.2 billion (US\$9.7 billion) upon the receipt of the equity interest in Ant Financial. With our equity stake, the profit sharing arrangement under which we received 37.5% of Ant Financial's pre-tax profits has terminated.

The gain related to the 33% equity interest in Ant Financial resulted from the transfer of certain intellectual property rights and assets to Ant Financial as set forth under the 2014 transaction agreements and the basis difference determined based on our share of Ant Financial's net assets, net of its corresponding deferred tax effect. This gain was not determined on the basis of Ant Financial's current equity valuation.

- (2) Mainly consists of impairment loss of RMB11,590 million (US\$1,621 million) with respect to certain equity investees as a result of their decline in market values against our carrying values, and impairment charges of RMB7,689 million (US\$1,076 million) in relation to certain investments.
- (3) Others include share-based compensation expense, amortization of intangible assets, amortization of excess value receivable arising from the restructuring of commercial arrangements with Ant Financial, adjusted for tax effects on non-GAAP adjustments.

GAAP to Adjusted/Non-GAAP Measures Reconciliation

	Three months ended		
	Sep 30, 2018	Sep 30, 2019	
	(RMB MM)	(RMB MM)	(US\$MM)
Adjusted EBITA and Adjusted EBITDA			
Income from operations	13,501	20,364	2,849
Add: Share-based compensation expense	7,043	8,145	1,140
Add: Amortization of intangible assets	2,611	3,006	420
Add: Impairment of goodwill	--	576	81
Adjusted EBITA	23,155	32,091	4,490
Add: Depreciation and amortization of property and equipment, and operating lease cost relating to land use rights	3,555	5,010	701
Adjusted EBITDA	26,710	37,101	5,191
Non-GAAP net income			
Net income	18,241	70,748	9,898
Add: Share-based compensation expense	7,043	8,145	1,140
Add: Amortization of intangible assets	2,611	3,006	420
Add: Impairment of investments and goodwill	358	19,855	2,778
Less: Gain (loss) on deemed disposals/disposals/revaluation of investments and others	(5,297)	291	41
Less: Gain in relation to the receipt of the 33% equity interest in Ant Financial	--	(69,225)	(9,685)
Add: Amortization of excess value receivable arising from the restructuring of commercial arrangements with Ant Financial	66	31	4
Adjusted for tax effects on non-GAAP adjustments ⁽¹⁾	431	(101)	(14)
Non-GAAP net income	23,453	32,750	4,582
Non-GAAP Free cash flow			
Net cash provided by operating activities	31,407	47,326	6,621
Less: Purchase of property and equipment (excluding land use rights and construction in progress relating to office campus)	(11,632)	(9,176)	(1,284)
Less: Acquisition of licensed copyrights and other intangible assets	(3,742)	(2,451)	(343)
Less: Changes in the consumer protection fund deposits	--	(5,211)	(729)
Non-GAAP Free cash flow	16,033	30,488	4,265

Note:

(1) Tax effects on non-GAAP adjustments primarily comprised of tax effects relating to the amortization of intangible assets and certain gains and losses from investments.

GAAP to Adjusted/Non-GAAP Measures Reconciliation



	Three months ended		
	Sep 30, 2018	Sep 30, 2019	
Marketplace-based core commerce adjusted EBITA	(RMB MM)	(RMB MM)	(US\$MM)
Adjusted EBITA for core commerce	29,807	38,574	5,397
Less: Effects of local consumer services, Lazada, New Retail and direct import and Cainiao Network	5,835	7,036	984
Marketplace-based core commerce adjusted EBITA	35,642	45,610	6,381

YTD Adjusted EBITA by Segment



YTD FY2019 (Jun & Sep Q 2018)

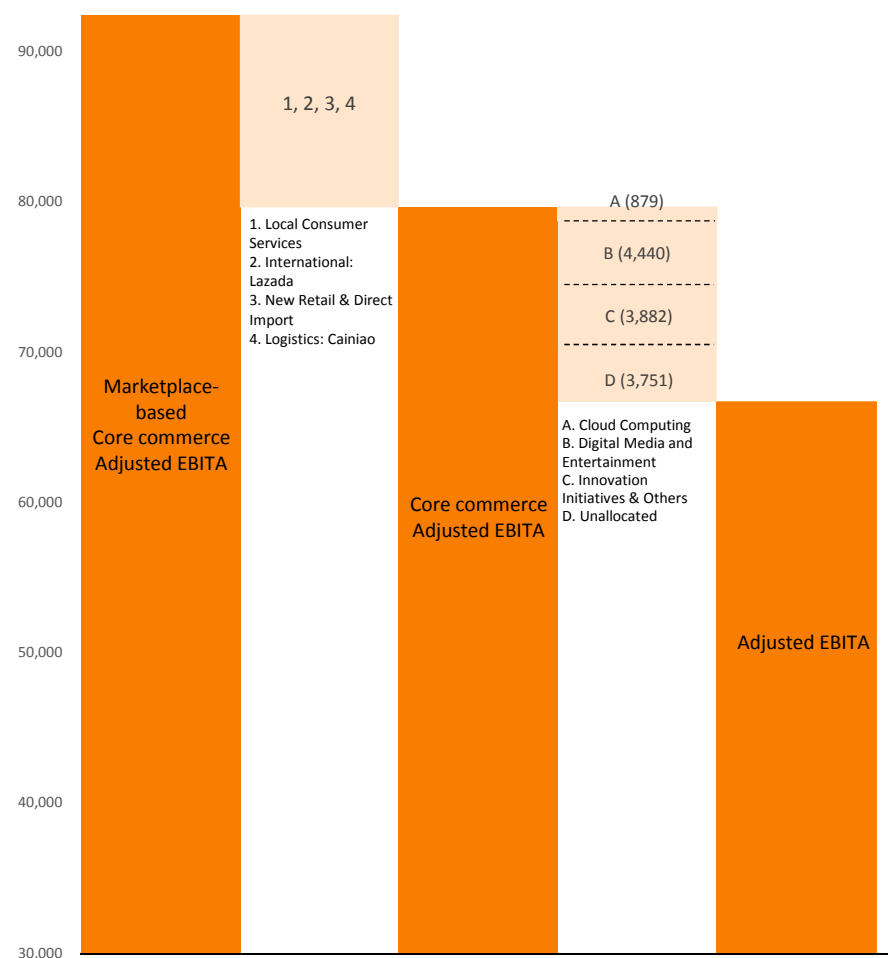
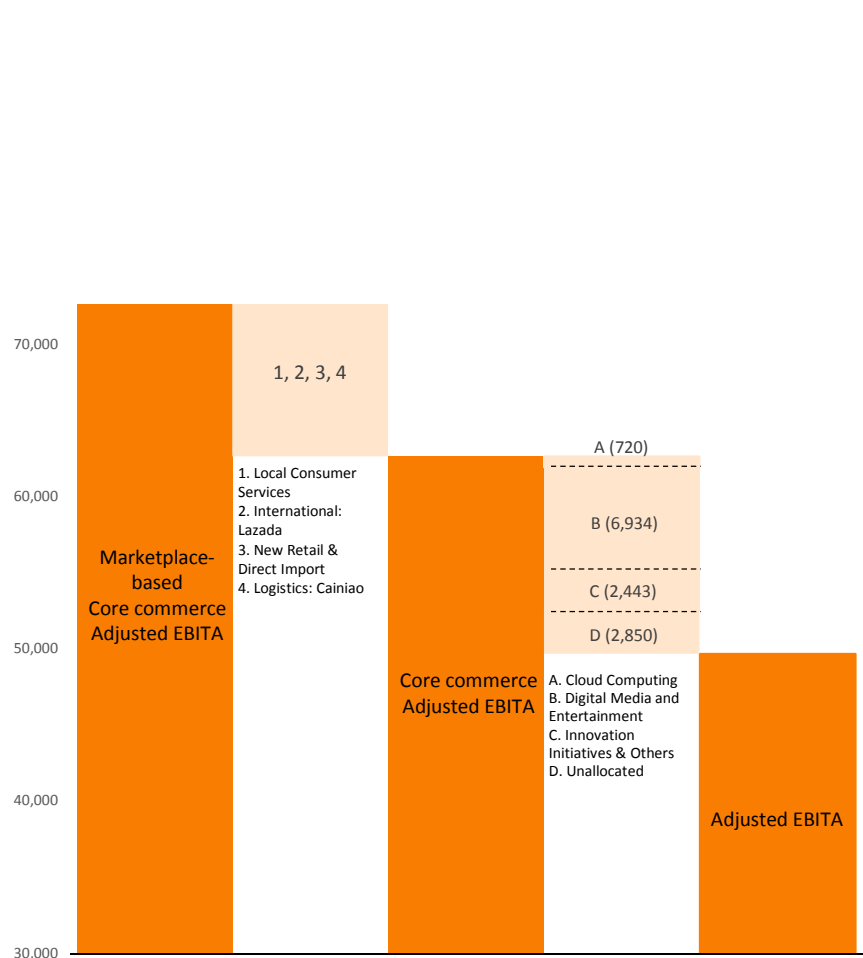
(RMB MM)

YTD FY2020 (Jun & Sep Q 2019)

(RMB MM)

72,598 (9,994) Combined Loss 62,604 (12,947) Combined Loss 49,657

92,410 27% YoY (12,811) Combined Loss 79,599 27% YoY (12,952) Combined Loss 66,647 34% YoY





Alibaba Group

阿里巴巴集团

